



# MARKET

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# SUMMARY

**HOTELS MARKET**  
**OUTLOOK 2017**

POWERED BY  
**BB BUSINESS BUYERS**

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## OUR SUCCESS IN THE HOTEL SECTOR

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2016 was a strong year for hotel sales at Bruce and Company and Kings Business Transfer. We have been encouraged to see buyers of all types express interest in acquiring hotels, from large corporates to first time buyers looking to start up their very first business. Highlights from last year included the sale of The Northern Hotel in Angus, which was achieved through our Corporate Sales Process, the Dalgarn House Hotel in Kilwinning and the sale of the Baltasound Hotel in the Shetland Islands, Britain's most northerly hotel.

Demand for hotels remains strong, despite the challenges of an uncertain market.

Buyers have shown a keen interest in a real range of accommodation businesses, with Bruce and Company alone selling businesses in areas as different as the Shetland Islands and Glasgow's stylish west end. The testimonials we have received from vendors and buyers also demonstrate our commitment to achieving the best possible result for all parties.

There has also been a significant interest in our Corporate Sales Process, with many vendors choosing the premium marketing and enhanced confidentiality offered by this option. The sale of the Northern Hotel, a well-established freehold hotel in Blairgowrie, Angus, was a notable

success for the Corporate Sales Process. This highly profitable business sought the very best marketing package to achieve a good price from the right buyer, and 'Project Rose' achieved a quick and successful completion.

Our teams at Bruce & Co and Kings Business Transfer are market leaders with a track record for achieving the best possible price for their business.

The outlook for the hotel sector remains strong, as despite a challenging 2016, the industry is offering vendors and buyers of all kind significant opportunities across the market.

**Robin Gower, Manager at Bruce & Co comments: "Our future pipelines for the hotel sector look strong, and we expect to announce many more hotel sales in the coming months."**

**Alistair Watt, Senior Sales Negotiator at Bruce & Co comments: "It is pleasing to see first time buyers join large corporate buyers in acquiring hotel businesses. We're also pleased to see many vendors choosing to sell their business through our corporate sales process, utilising the expertise in the sector we have to offer."**

# A POSITIVE OUTLOOK FOR HOTELS IN 2017

Like many sectors in 2016, the UK Hotel sector came up against a number of challenges throughout the year. The hotel market slowed around the time of the EU referendum vote and the value of transactions fell\*, but by and large this hurdle was overcome, with the appetite for hotel purchases returning by the final few months of the year.

The performance of the hotel market demonstrated the underlying strength in the UK economy, emerging relatively unaffected from the aftermath of Brexit. Indeed Brexit may well bring new opportunities in the form of an increase in internal tourism to places such as London, Scotland and the south. The regulatory changes to the living wage have also had a large role to play in the sector.

There has been a regional variation in hotel performance, with businesses in the UK's provinces enjoying consistent Revenue per available room growth. The situation in London has been more challenging with the increased competition from Airbnb who have dramatically scaled up their London operation, however occupancy levels in the capital remain strong in global terms.

PWC reported that 2016 would see strong overseas investment in Central London but also outside of London as market performance improves and investors look to achieve greater returns on investments. They also reported

that the weak pound could boost leisure markets and encourage domestic and inbound leisure tourism. Data from the Tourism Alliance evidences that the weak pound is already stimulating international visitors to travel to the UK. Availability of finance is a major consideration, the market has seen increased appetite from private equity and new lenders due to a historically low interest rate.

The spectrum of buyers is developing, with the market particularly diverse including investors from overseas. At Bruce and Co and Kings Business Transfer, we have noticed a clear desire for hotels up and down the country and one trend we expect to see in 2017 is the emergence of more and more overseas investment, particularly from China. Chinese Investors are spotting the serious potential in the UK market and could offer some fantastic opportunities for hoteliers in the coming months. A recent Deloitte survey of hospitality industry leaders found 62% see China as the biggest source of future investment in Europe.

Another finding in 2016 was the significant investment from family offices/private wealth, with both of the largest portfolio deals (Atlas Hotels) and the largest single asset deal (War Office hotel development, London) being acquired by family owned private companies

\*Source PWC UK Hotels Forecast 2017.



# ADVANTAGES OF USING A BUSINESS BROKER

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We believe that using a business broker is certainly the best course of action to take for anyone who wants to sell their business effectively. Although there are opportunities to sell direct, selling a business is not always a straightforward process and going it alone may offer various disadvantages including; negotiation experience, price achieved, time management, lack of evaluation and legality expertise etc. We strongly believe that business owners who decide to sell should place confidence in working alongside an experienced and well-knowledged broker to offer support and advice in making all important decisions for these essential reasons;

## **Advertising & Marketing**

When selling a business, the way the business is perceived by potential buyers is crucial. Experienced brokers know exactly where to advertise your business to maximise interest and more significantly how to market your business so that it gets noticed by serious, potential investors.

## **Negotiation Expertise**

Business brokers are skilled negotiators who are driven to maximise your sale price. The role of a business broker is to bring “serious” buyers and sellers together with a view to achieving the best deal and sale price possible.

## **Qualified Buyers**

Business brokers qualify all prospective buyers at the primary stage of the sales process. When a broker qualifies a buyer, they will ensure that the buyer is serious about purchasing the business and will also identify if the potential buyer has the realistic financial capacity to complete the transaction.

## **Time Management**

By using a business broker, you can concentrate on running your business instead of answering enquiries about the business sale. You ensure the business is still running optimally, and let the broker take care of the rest.

## **Confidentiality & Discretion**

When selling a business, you may not want your competitors, employees or customers knowing that you are selling your business.

A broker will keep all details of a sale completely confidential. All potential buyers will sign a legal confidentiality agreement and then be ‘qualified’ as a serious buyer. It is only then, that the potential buyer will be presented with details of a business for sale.

## **Business Appraisals**

Experienced business brokers possess the knowledge, skills and on-hand information directly related to your business, industry and location. This gives the broker the ability to accurately appraise your business.

## **Risk**

Achieving the best possible deal, out of the transaction is the most essential aspect of the process. The knowledgeable broker will work to their greatest ability to ensure that you get the most realistic sale possible, taking the risk out of you receiving a below market value sale for your business.

## **Legalities**

If you are considering a sale within the near future, then it is crucial that you consider your exit strategy. Tax planning and legal advice are a must and will ensure that the path to the exit is smoother and less costly than leaving everything to the last minute. It is essential that you have a strong professional team who are all working on your behalf.

Here at Bruce & Co and King Business, we believe that each hotel business is unique, and that individual owners have different needs, requirements and aspirations - that is why we offer a free, no obligation appraisal, to show you what we can do for the sale of your business.

## RECENT SALES IN HOTELS

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### BALTASOUND HOTEL, SHETLAND ISLANDS

Bruce & Co. are delighted to announce the sale of the Baltasound Hotel, which has the accolade of being “Britain’s most northerly hotel.”

Situated on the Isle of Unst, this extremely busy, 24-bedroom hotel has been run successfully since 2008, and was only placed on the market by the vendor, Mr Stephen Swan, due to his wish to retire from the licensed trade.

The Baltasound Hotel benefits from a convenient location, just a few minutes’ walk from the harbour and marina, and a short walk from the Keen of Hamar Nature Reserve. The hotel currently trades seasonally to suit the vendors’ lifestyle with a good mix of accommodation, food and wet sales. In addition, there is a tastefully decorated and well-presented two-bedroom owner’s accommodation.

This represented a rare opportunity to acquire a high quality, beautifully presented Shetland hotel that not only trades successfully, but has the potential to expand to generate more business. The business was sold to a private buyer on a leasehold basis. The buyer was attracted to the business due to the opportunity to trade seasonally.



The buyer comments: **“I have been negotiating with Bruce and Co. to acquire a medium sized hotel in the Highlands and Islands. Throughout the process, they have acted in a prompt professional manner ensuring**

**a smooth conclusion in a complex market. They have kept both parties engaged in the sales process throughout.”**

Safa Sultan, Senior Negotiator at Bruce & Co. comments: **“It was a pleasure to deal with the buyer and the vendor – I wish Mr Swan all the best in his future plans, and would like to wish the buyer the best of luck in his new business venture”**



## RECENT SALES IN HOTELS

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### **BELGRAVE GLASGOW HOTEL, GLASGOW**

Bruce & Co. are delighted to announce the sale of Belgrave Glasgow Hotel located in Hillhead, Glasgow.

The Belgrave Hotel offers tasteful and comfortable accommodation in Glasgow's stylish West End. The restored Georgian building compliments its surroundings in this elegant portion of the city; bringing an element of sophistication to any visit - whether it be business related, holiday or for any other reason. The hotel incorporates 13 letting rooms, and is set over 4 floors.

The charming hotel was placed on the market by Mrs Reynolds due to her wish to retire from the tourist trade. Following extensive levels of interest with 24 viewings, the business was sold to Ms Luanna Mchugh on a freehold basis.

The hotel was operated by Mrs Reynolds since 2006. Trading throughout the year, the quality of the accommodation is reflected in the number of awards it currently holds.

The purchaser, Ms Mchugh, has stated that the location and reputation of the business were key factors in her decision to acquire the property.

Safa Sultan, Senior Negotiator, at Bruce & Co. comments **"It was an absolute delight to deal with both the purchaser and the vendor. The sale represented a rare opportunity to purchase a high quality, beautifully presented Glasgow City property and business, , which has been trading well, but with plenty of potential for expansion."**

## RECENT SALES IN HOTELS

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### Dalgarven House Hotel, Ayrshire

Bruce & Co. are delighted to announce the sale of the Dalgarven House Hotel in Kilwinning, Ayrshire.

The country house hotel, which is set amongst rolling countryside, is a very well established business that has been run by the vendor, Mr Graham, for the past 20 years. The hotel trades throughout the year from a good mix of accommodation, functions, food and wet sales. The business benefits from much repeat custom, particularly due to its location next to the river and also its commuter links.

The property incorporates 10 letting rooms and a function suite with a capacity for 110 people. Further to this, there is a beautiful landscaped garden which overlooks the river. As such, Dalgarven House Hotel is a popular wedding venue.

Interest was expected to be high, and following 5 viewings, the hotel was acquired by Mr Volker Steinemann on a freehold basis. The purchaser currently oversees 2 hotels in the Glasgow area, and felt that Dalgarven House Hotel would be a great first property for him to operate as an owner.

Referencing the service received at Bruce & Co., **Mr Graham comments "The service I received was great! Bruce & Co. kept me updated consistently with any updates, and was available for any advice during the sale."**

**Safa Sultan, Sales Negotiator at Bruce & Co. comments: "It was a pleasure to work with the vendor to achieve a sale. I look forward to an update from Mr Steinemann to see what he has planned for the business"**



## RECENT SALES IN HOTELS

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### The Northern Hotel, Brechin

Bruce & Co are delighted to announce the sale of The Northern Hotel, an extremely well-run and busy hotel, located in Brechin, near the East Coast of Scotland.

The Northern Hotel features 15 en-suite letting rooms and two function suites. The vendors had run the business since 2002, undertaking extensive refurbishment in order to deliver a beautifully presented hotel.

The business trades throughout the year and has gained recognition for its quality through its four out of five-star rating on Trip Advisor, where it is ranked number two in the area.

In addition, it has a three-star rating from the Scottish Tourist board.

The sale represents a success for Bruce & Co's Corporate Sales Process, with the vendors choosing to sell with the enhanced levels of marketing and confidentiality this service provides.

The vendor, Mr Kevin Mackie, decided to place the business on the market due to his wish to retire from the hospitality trade.

The buyer, Mr Pawel Michalowski, said: **"Our experience with purchasing the business through Bruce & Co was great. The staff and their service was exceptional. Viewings were booked promptly and business details were passed on to us quickly. Apart from finding the right business for us, Bruce and Co recommended a great solicitor as well as an accountant and business consultant. We are very satisfied with our purchase of the hotel in Brechin. Bruce & Co have done a great job and we would definitely go back to them as well as highly recommend to others."**

Robin Gower from Bruce and Co commented: **"We're delighted that this sale has been achieved through our Corporate Sales Process, and we'd like to wish vendor and buyer all the very best for the future."**

## MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
January	Chelsfield Partners	ATP and AXA Insurance	2 Club Quarters Hotels (£180m)
January	High Net Worth Individual	Administrators of Prima Hotel Group	Crowne Plaza Edinburgh Royal Terrace (£16.5m)
February	Al Habtoor Group	Oaktree Capital Management	Hilton Wembley (£95m)
February	Splendid Hospitality Group	Algonquin	Mercure Bristol Brigstow (£13.5m)
March	Defence Infrastructure Organisation (DIO)	Hinduja Group & OHL Developments	Ministry of Defence Old War Office (£350m)
April	Individual operator	Private Buyer	Baltasound Hotel (£299,000)
May	Oaktree Capital	6 individual buyers	Project Smanda - 6 non-care Hilton assets (£40m)
May	Staycity Hayes	Schroders Real Estate Fund	Leased serviced apartment property (£32.4m)

## MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
May	Individual operator	Ms McHugh	Belgrave Glasgow Hotel (£550k)
June	Lonestar/Hudson	London & Regional	Atlas Portfolio - 47 limited-services (£575m)
June	Arora Group	Queensgate Investments	InterContinental London - 02 (50% stake-£100m)
July	Individual operator	Mrs Song	Distillery Guest House (£500k)
July	Undisclosed	Y.T.Reality Group	Travelodge Liverpool Street (£42.3m)
July	Individual operator	Mr Steinemann	Dalgarven House Hotel (£649k)
July	Magnificent Real Estate	Henderson Global Investors	Travelodge London Kings Cross Royal (£70m)
August	HIG's Bayside Capital	Junson Capital	DoubleTree by Hilton London (£80m)

## MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
September	Golden Tree, Avenue Capital and Goldman Sachs	Secure Income REIT	55 Travelodges (£196.2m)
September	Fattal Properties	Undisclosed	Premier Inn Haymarket Edinburgh (£43.5m)
September	Affiliate of Bin Otaiba Investment Group	Hyatt	Hyatt Regency Birmingham (£38.6m)
September	Private Seller	Private Buyer	Linsmohr Hotel (£475k)
November	Blackstone	Bhatia Family	DoubleTree by Hilton Tower of London, c. (£300m)
November	Individual operator	Mr Pawel Michalowski	Project Scarlett - The Northern Hotel (£825k)

# #BREXIT

## @AshleyBevans69

3 hotel purchases taken on in last few days. Domestic leisure and hospitality sector to remain buoyant notwithstanding Brexit I feel

## @CyrilMcA

Tourism Sector Confident for 2017 but Optimism Tempered by Brexit Volatility  
Hotel & Restaurant Time

# #SUCCESS

## @ITCMmagazine

DoubleTree by Hilton increases UK presence with 12 hotels opened in 12 months #Hotel #Accommodation #Hospitality <http://tinyurl.com/gnhx6wp>

## @FairPlaneNet

Best Western announces first new-build hotels in Greater London

## @JiveBirmingham

Birmingham boom: UK's second city experiences a record year for hotels Despite repeatedly being named one of ugliest cities.

## @LottoGoodCauses

@BGHotelDerry received a @HLFNI heritage enterprise grant & has now been voted 1 of UK's best hotels by Tripadvisor

# #SALES

## @FairPlaneNet

Two Knightsbridge hotels sold to Warwick (US Hotel Group)

## @JLLMENAResi

JLL's Hotels & Hospitality Group appointed to sell two leading UK hotel, spa and golf resorts

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